

Jute Market Report for November 2020

-1/4- 3rd December 2020

Bangladesh

Raw Jute: During the month under review, raw jute demand from Pakistan, India and Nepal was on a regular level. However due to poor availability the buyers were unable to cover their entire requirements. Pakistan placed orders of about 3.000 mtons for more or less all grades of Long Tossa Jute and Meshta/Kenaf as well as Tossa and Meshta/Kenaf cuttings, such as BTCA, BTCB and OMC. Indian buyers were in the market for Long Jute Tossa varieties such as BTR NB KS, BTR NB CS and BTR BS as well as BTCA cuttings and placed orders of around 2.000 mtons in total.

Demand from Chinese buyers was quite slow during the month under review. Same applied for international raw jute customers from countries like Vietnam, Russia and Tunisia. Even though some buyers were willing to place orders, most of the suppliers were unable to offer due to scarce availability of high quality raw jute.

As already reported in our previous reports, the entire industry is dealing with record high prices for good quality raw jute ruling around BDT 3.000 per maund (=37,33 kgs). The scarce availability of good quality raw jute and the ruling market price level is a huge burden for the industry and buyers and the ones who did not yet cover their requirements of raw jute for the coming months until arrival of new crop fibre in August next year will face serious difficulties to satisfy their requirements.

During the month under review solvent local jute yarn and twine spinning mills as well as composite jute mills actively concluded cash spot deals to cover at least a part of their requirements. In view of the acute shortage of fibre and the abnormally high market prices, the local jute industry fears that a lot of middle ranged mills will be forced to shut down at least until arrival of new crop. This is only the 5th month in the season with another seven months to come until one may expect the first arrivals of new crop. The industry is facing an acute shortage of fibre already. It goes without saying, that the solvent parties covered as much fibre as possible in advance to be able to continue their operations, but this of course does apply for a small percentage of the industry, only.

Corresponding to the shortage of fibre Raw Jute and Meshta prices increased further by about USD 50,00 - 60,00 per metric ton.

Raw jute exports during the period of July 2020 up to September 2020 amounted to 119.144 bales against 137.048 bales during the same period in 2019. Figures for October 2020 were not yet available when this report was prepared.

Weather conditions: During the month under review the entire country witnessed regular weather conditions for November with a good portion of sunshine.

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Jute Yarn and Twine: Regular export demand for both high and low quality of Jute yarn and twine is reported from regular importing countries like Turkey and Iran during the month under review. Same applies for the demand from other international markets such as India, China, Vietnam, Indonesia, Malaysia, Uzbekistan, The Middle East, Europe and USA.

Local demand for both Sacking and Hessian quality of jute yarn for packaging purposes increased during the month under review.

The export prices for light and heavy count jute yarns and twines increased further by around USD 60 to 70 per metric ton during the month under review. In view of the acute shortage of raw jute it is expect that the prices will continue to increase significantly until arrival of new crop next year.

As already reported in our report for the month of October, the trend of significant reduction of production capacities of small and medium size mills continued. This of course leads to delay in shipments and sometimes even overbookings of factory capacities. Especially financially weak mills are suffering from lack of fibre and cannot run their production with regular capacity. Most local jute yarn and twine spinning mills are booked up to January 2021.

As a result of the overall jute market situation, jute spinners announced losses for the first quarter of the current fiscal year, a development which may have tamed the company's fluctuating stock price. The jute yarn and twine manufacturer's earnings per share were BDT 11.16 in the negative in July-September while it was BDT 10.24 in the negative during the same period a year ago, data from the Dhaka Stock Exchange (DSE) showed. Jute Spinners' net asset value stood at Tk 360.14 in the negative as of September 30, 2020.

Time and again we receive reports about certain mills not honouring their commitments and either delay shipments or pushing their customers to pay higher prices than agreed. This unethical behaviour casts a damning light on the entire industry, even if it is a small percentage of mills following this practice, only. One can only hope that the responsible organizations such as the BJMA, BJSA and BJA will ensure that this kind of unethical behaviour will be punished and that such factories will be black listed, in order to prevent further damage to the image of the industry in particular and the country in general.

Jute Goods: Export demand for both Hessians and Sackings, especially from buyers in Africa, Europe and USA increased during the month under review. Demand from other countries such as China, Vietnam, Japan, Australia and the Middle East were on an average level. India was regularly in the market for unstitched Binola and B-Twill fabrics.

Jute CBC demand from the regular importing countries like Europe, UK and Japan was on a regular level as well during the month under review.



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Export prices during the month under review have increased as follows:

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| Hessians: | approx. 6 % |
| Sackings: | approx. 5 % |
| CBC: | approx. 5 % |

Maritime transport: Due to strong demand boom in the transpacific, carriers have deployed a record number of capacity onto the transpacific to capitalize on the much higher freight rates. Moreover, due to lockdown situation in most of the Covid19 affected countries laden import containers are not being discharged at port on time which caused container crisis. In view of this situation, shipping lines are not willing to offer forwarding rates and the shippers are compelled to book the freight on spot rate basis which continued to climb on the Asia-Europe trades and driving sea freights prices higher.

The reason for this crisis is mainly because there has become a major container shortage on the EEPC (Europe, India, Pakistan and Bangladesh) trade lanes which has occurred due to several factors. These factors include a significant reduction of import containers into the region from Europe and other western countries, meaning less containers available for exports from these regions as well as chronic operational difficulties in repositioning of empty containers from regional transshipment hubs.

Ships have re-routed to more profitable trade lanes on the transpacific route which has also impacted the demand for the intra-Asia trade routes. This has further exasperated the crisis as there are simply not enough containers available to meet demand on EEPC trade lanes as well as other trade lanes.

What the industry is seeing and experiencing at this time is a “cartel” between the carriers who have taken advantage of the situation to maximise profits by increasing freight rates at levels we have never experienced before. It has become so serious that importers, exporters and trade associations have approached respective Governments to intervene in this profiteering, but so far with no success.

Covid19: Due to unavailable Covid19 statistics, it is difficult to judge about the current situation in the country. International agencies report that around 45 per cent of the population are infected.

India

Raw Jute: During the month under review there was a decline in market which was reflected by lower quotations of the Jute Balers Association (JBA): Grade TD-4 IRs 6.250,00 and Grade TD-5 IRs 5.750 per 100 kg. Jute Mills are getting reasonable deliveries from mukams during the month under review. Anyhow, these are still on lower side. In order to check one way rise in raw jute prices, the Jute Commissioner further reduced upcountry stock limit to 500 quintals.

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Jute Yarn and Twine: During the month under review there was a good demand for jute yarns and twines for local consumption. However there are no reports about exports worth to mention.

Jute Goods: Prices of Hessians remained almost unchanged with minor fluctuations during the month under review. Selective mills asking for premium of 7 per cent against prices quoted by „standard“ mills. Due to seasonal demand, prices of Sackings increased by about 5 per cent and selective mills asking for premium of about 4 per cent.

Availability of Jute Carpet Backing Cloth continuous to be rather poor until March 2021, as most overseas customers placed long term orders with the manufacturers. The Indian Government ordered approx. 125,000 bales of B-Twill bags during the month under review. With this reduced order quantity the backlog is now around 200,000 bales.

The production capacity in India almost reached the normal level of the pre-lockdown period. However Reliance, Weaverly and Northbrook Jute Mills were forced to suspend their production reportedly due to acute shortage of raw jute. It is expected that a few more mills are going to join the three in coming months.

In consequence of the production suspension of Reliance Jute Mills, around 4,000 workers became jobless. The mill authorities suspended production indefinitely from November 30th after the workers' union did not allow employers to downsize the workforce.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in September 2020 amounted to 90.100 mtons of which 5.300 mtons were jute yarns/twines. Updated figures for October were unavailable at the time the report was issued.

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